1959 ANNUAL REPORT

RAPID-AMERICAN CORPORATION

SIXTY-FIRST ANNUAL REPORT

RAPID-AMERICAN CORPORATION

For The Year Ended December 31, 1959

EXECUTIVE OFFICES: RAPID-AMERICAN CORPORATION
711 Fifth Avenue, New York 22, N. Y.

DIVISIONS:

THE RAPID ELECTROTYPE COMPANY

THE RAPID ELECTROTYPE CO.
Cincinnati, Ohio
Philadelphia, Pa.
San Francisco, Calif.

NORTHERN ELECTROTYPE CO.
Detroit, Mich.

ATLANTIC ELECTROTYPE & STEREOTYPE CO.
New York, N. Y.

AMERICAN PAPER SPECIALTY COMPANY

AMERICAN PAPER SPECIALTY CO.
Chicago, Ill.

EASTERN TABLET CO.
Albany, N. Y.

OSBORN-MIDWEST PAPER & ENVELOPE CO.
Marion, Ind.

SMITH-STEWART PAPER PRODUCTS CO.
Brooklyn, N. Y.

AMERICAN MERCHANDISING COMPANY

L. & C. MAYERS CO., INCORPORATED
New York, N. Y.

SPORS COMPANY
LeCenter, Minn.

THE CLAROLYTE CO.
Long Island City, N. Y.

AMERICAN ART WORKS

AMERICAN ART WORKS
Coshocton, Ohio

THE BRUNHOFF MANUFACTURING CO.
Cincinnati, Ohio

DIRECTORS:	B. GERALD CANTOR	MESHULAM RIKLIS*
	HAROLD S. DIVINE*	LORENCE A. SILVERBERG
	BURT KLEINER	MELVIN UNTERMAN
	ROBERT P. MILLER*	HARRY H. WACHTEL*
	JACOB S. WEINSTEIN**	

*Member, Executive Committee
**Chairman, Executive Committee

OFFICERS:	M. RIKLIS	*President and Chairman of the Board*
	HAROLD S. DIVINE	*Executive Vice President*
	HARRY H. WACHTEL	*Executive Vice President*
	ROBERT P. MILLER	*Vice President*
	MARK F. BECK	*Vice President*
	JOSEPH B. RUSSELL	*Secretary**

*Elected February 15, 1960.

GENERAL COUNSEL: WACHTEL & MICHAELSON
New York, New York

AUDITORS: HASKINS & SELLS
New York, New York

TRANSFER AGENT: CHEMICAL BANK NEW YORK TRUST COMPANY
New York, New York

REGISTRAR: IRVING TRUST COMPANY
New York, New York

LISTING: AMERICAN STOCK EXCHANGE
(Common Stock and Debentures)

To the Shareholders of
Rapid-American Corporation:

The year ended December 31, 1959 showed consolidated net sales of $225,688,405, and consolidated net income, after taxes and special item, of $859,478. Per share net income was $1.16.

The year ended December 31, 1959 was one of continued building and consolidation of the Company's operating divisions. I had hoped that we would be able to report a most successful year in all our operations, but the prolonged nationwide steel strike curtailed the supply of steel to the American Art Works Division, sharply restricted the automobile advertising budgets which have long been a mainstay of the Rapid Electrotype Company Division, and materially reduced the anticipated Christmas buying season of the American Merchandising Company Division. Therefore this Report contains a brief description of the operations and performance of each Division separately.

The year 1959 is further noteworthy for the negotiation and approval of the sale of the business, assets and good will of the Company's major subsidiary, Butler Brothers.

During the month of May, 1959 our shareholders were offered the opportunity to subscribe to a new issue of 5¾% Convertible Subordinated Debentures, due April 30, 1964, on the basis of $100 principal amount of debentures for each 10 shares held of record. An aggregate of $7,209,600 of debentures were offered, and at the expiration of the offering period, had been oversubscribed by better than 50%. Such an overwhelming vote of confidence from shareholders was a most gratifying development, and I wish again to express my deepest appreciation.

GENERAL:

To provide you with information concerning the performance of the Company, set forth below is the record, in consolidated detail, for 1959.

Rapid Electrotype Division:

This Division, a nationwide leader in the manufacture of advertising and other mats for stereotype casting and of printing plates of all kinds for use by newspapers, national magazines, carton manufacturers and job printers, was hard hit by the severe cutback of automotive newspaper advertising which resulted from the steel strike. Despite continuing improvements in equipment, methods and personnel, planned sales volume was not achieved. Although profits were generated at two of the Division's five plants, its overall operations resulted in a very small loss for the year. To date in 1960, sales and earnings have shown a marked improvement which, if the trend continues, will result in profitable operations in all plants.

American Paper Specialty Division:

As noted in last year's Annual Report, this Division underwent a major expansion during the course of 1959. A full line of paper products is now offered from the Division's five plants, as follows:

Tablets, stationery, envelopes, and school and office paper supplies are manufactured at the Eastern Tablet plant in Albany, New York, acquired in February, 1959, and at the two Osborne-Midwest plants in Marion, Indiana, acquired in April, 1959.

A full line of Christmas cards, tags and

seals, Valentines and tallies continues in production at the Chicago plant.

Ribbon ties and gift wraps for every occasion are manufactured at the Smith-Stewart plant in Brooklyn, New York, acquired in April, 1959.

American Paper Specialty Company is presently one of the leading paper converters in the nation. A satisfactory profit on its over-all operations, as well as from each of its plants was realized in 1959, and operations for 1960 have been most encouraging to date.

American Merchandising Division:

Results of this Division were below expectations and contributed a loss for 1959. Its business, the sale of general merchandise through the mail order catalogs of L. & C. Mayers (New York) and Spors (Le Center, Minn.), truly suffered from a sharp decline in sales during its normally heavy Christmas selling season. It is believed that the decline in the past Christmas season resulted from the nationwide steel strike, the effects of which were most heavily felt in the Northeast and North Central States, the Division's primary market areas.

It is expected however that the current year will show a reversal of this downturn.

American Art Works Division:

Although this Division did not operate at a profit for 1959, it greatly improved its operations over 1958 and has registered marked progress toward a profitable year, with record sales for 1960.

The basic raw materials of this Division are steel and paint. In a ruthlessly tight steel market, the Division felt the pinch along with other steel users, and thus fell short of its planned performance. However, its program of contract work for other manufacturers and for distributors of consumer products is expanding, and its sign and display facilities have been augmented by the assets, business and skills of Brunhoff Manufacturing Co. of Cincinnati, acquired during the summer of 1959.

Sales for the current year have shown an encouraging expansion to date and it is anticipated that 1960 will be a profitable year for American Art Works. Its performance this year to date supports this expectation.

Butler Brothers:

The operations of the Company's majority-owned subsidiary, Butler Brothers, were quite satisfactory.

The Board of Directors of Butler Brothers on December 4, 1959, voted to sell its business, assets and good will, as a going concern, to City Products Corporation, and on January 25, 1960 the sale received the approval of 83% of its outstanding shares. The sale, consummated February 11, 1960, was for a price approximately $14,000,000 in excess of the consolidated net book value of the assets sold, and all liabilities were assumed by the purchaser.

As a result of this sale and upon its consummation, the net worth of your Company became approximately $16,000,000, an increase in excess of $6,500,000 over the year-end net worth.

Butler Brothers simultaneously changed its corporate name to B. T. L. Corporation.

A copy of B. T. L. Corporation's Annual Report, setting forth its operations for 1959 in detail, is included with this Report.

DIVIDENDS:

The Board of Directors of Rapid-American Corporation voted a dividend of 12½¢ per share for each quarter of 1959, and in addition a 5% stock dividend was paid March 27, 1959 to shareholders of record March 11, 1959. Thus the Company has now paid dividends for the 17th consecutive year.

The Board of Directors on February 15, 1960, voted a 3-for-2 split-up of the outstanding common stock of your Company, payable May 16, 1960 to holders of record May 10, 1960. This split-up is expressly conditioned upon Shareholder approval at our forthcoming Annual Meeting of a proposal to increase the Company's authorized common stock to 10,000,000 shares. Full details concerning this increase and split-up are set forth in the Proxy Statement relating to the Annual Meeting, which accompanies this Report.

MANAGEMENT CHANGES:

During 1959, Messrs. Harold S. Divine and Harry H. Wachtel were elected Executive Vice Presidents of the Company, and Messrs. William C. Westerman and Michael Dubitzky were appointed Executive Vice Presidents of the Rapid Electrotype and American Art Works Divisions, respectively. The positions held by Mr. B. Gerald Cantor as Vice Chairman and Mr. Melvin Unterman as Vice President of the Company have been vacated; because they will continue as Directors, the Company will continue to have their able advice. Effective February 15, 1960, Mr. John P. Feeley resigned as Treasurer of the Company to accept an executive post with another concern, and Mr. Joseph B. Russell was named Secretary in place of Mr. Harry H. Wachtel, who continues as Executive Vice President.

Our efforts to strengthen the Company's management team have continued, and we have been joined by a number of capable executives in various posts, all of whom we wish to welcome. Further acquisitions are always under consideration, as is expansion of our present Divisions, all with a view to strengthening the Company's overall position. I am therefore planning a number of communications for the future so as to give you progress reports from time to time.

SUMMARY:

Management at all times wants you to have as comprehensive as possible a picture of its operations. It is hoped that this Report fills your desires for pertinent facts.

May I take this opportunity in closing to welcome all of you who became shareholders during 1959, and again to extend my sincere thanks and appreciation to Directors, officers, employees and shareholders of the Company for their continued and inspiring support. You are cordially invited to attend the Annual Meeting of Shareholders to be held in Cincinnati on May 10, 1960.

Respectfully,

President and Chairman of the Board

April 8, 1960

1959

FINANCIAL TABLES

Assets

CURRENT ASSETS:		
Cash		$ 9,342,908
Receivables:		
Trade (including approximately $1,900,000 due after one year)	$20,292,026	
Other	2,421,379	
	22,713,405	
Less reserves	961,114	21,752,291
Federal income tax refund based on carry-back provisions of Internal Revenue Code		277,561
Inventories (at lower of cost or market including $20,610,263 on last-in first-out "LIFO" basis) (Note 1)		36,954,698
Prepaid expenses, etc.		1,983,260
TOTAL CURRENT ASSETS		70,310,718
PROPERTY, PLANT, EQUIPMENT AND LEASEHOLD IMPROVEMENTS—At cost (Note 2)	25,429,358	
Less accumulated depreciation and amortization	12,663,595	
	12,765,763	
Net excess of cost of investment in subsidiaries over underlying book value of assets at date of acquisitions, less accumulated amortization	5,819,007	18,584,770
OTHER ASSETS AND DEFERRED CHARGES (including unamortized debt discount and expense of $573,612 and deferred line and sample costs of $461,777)		1,291,301
TOTAL		$90,186,789

See notes to financial statements.

Liabilities

CURRENT LIABILITIES:		
Accounts payable		$17,055,884
Currently maturing notes payable		5,510,225
Accrued liabilities:		
Federal income taxes		3,549,434
Other taxes		1,211,057
Salaries, wages, commissions, etc.		4,492,185
Interest		202,494
TOTAL CURRENT LIABILITIES		32,021,279
OTHER LIABILITIES:		
7% Sinking Fund Subordinated Debentures due November 15, 1967, less Debentures in treasury, $430,280 (Note 3)	$ 4,958,080	
5¾% Convertible Subordinated Debentures due April 30, 1964 (Note 4)	7,209,600	
4%-4¾% Mortgage Loans	629,079	
3¼%-6% Notes due 1961 to 1974 (Note 5)	17,439,575	30,236,334
MINORITY INTEREST IN SUBSIDIARY COMPANIES		18,526,703
SHAREHOLDERS' EQUITY (per accompanying statement):		
Common capital stock—authorized 1,500,000 shares of $1 par value each; issued $787{,}696\tfrac{17}{20}$ shares; less stock in treasury $47{,}069\tfrac{17}{20}$ shares; outstanding 740,627 shares (Notes 4 and 6)		740,627
Capital surplus		5,884,520
Earned surplus		2,777,326
TOTAL		$90,186,789

RAPID-AMERICAN CORPORATION
AND SUBSIDIARIES (NOTE 1)

Statement of Consolidated Income

FOR THE YEAR ENDED DECEMBER 31, 1959

NET SALES		$225,688,405
RENTALS, INTEREST AND SUNDRY INCOME—Net		2,769,049
		228,457,454
COST OF GOODS SOLD, RENT, ETC.		179,386,566
		49,070,888
DEDUCT:		
Operating, selling, general and administrative expenses	$35,858,202	
Interest charges	2,264,945	
Depreciation and amortization	2,763,659	
Taxes other than Federal income taxes	2,478,037	43,364,843
INCOME BEFORE FEDERAL INCOME TAX AND EQUITY APPLICABLE TO SHARES OF SUBSIDIARIES IN HANDS OF THE PUBLIC		5,706,045
PROVISION FOR FEDERAL INCOME TAX (Net of refund based on carry-back provisions of Internal Revenue Code, $342,989)		3,297,150
INCOME BEFORE EQUITY APPLICABLE TO SHARES OF SUBSIDIARIES IN HANDS OF THE PUBLIC		2,408,895
EQUITY APPLICABLE TO SHARES OF SUBSIDIARIES IN HANDS OF THE PUBLIC		1,830,958
NET INCOME APPLICABLE TO SHAREHOLDERS OF RAPID-AMERICAN CORPORATION		577,937
SPECIAL ITEM—Net profit on disposal of property and plant (no Federal income tax payable)		281,541
NET INCOME AND SPECIAL ITEM APPLICABLE TO SHAREHOLDERS OF RAPID-AMERICAN CORPORATION		$ 859,478

See notes to financial statements.

RAPID-AMERICAN CORPORATION
AND SUBSIDIARIES (NOTE 1)

Statement of Shareholders' Equity

FOR THE YEAR ENDED DECEMBER 31, 1959

	TOTAL	OUTSTANDING COMMON STOCK	CAPITAL SURPLUS	EARNED SURPLUS
BALANCE, JANUARY 1, 1959	$8,692,757	$683,972	$4,484,089	$3,524,696
ADD (DEDUCT):				
Net income and special item for the year ended December 31, 1959 per accompanying statement of consolidated income	859,478			859,478
Cash dividends paid, $.50 per share	(373,513)			(373,513)
Stock dividend (5%)—33,790 shares; par value credited to common stock account; excess of market quotation value over par value credited to capital surplus		33,790	1,199,545	(1,233,335)
Stock issued under employee plans—22,865 shares; par value credited to common stock account; excess of proceeds over par value credited to capital surplus	222,881	22,865	200,016	
Miscellaneous	870		870	
BALANCE, DECEMBER 31, 1959	$9,402,473	$740,627	$5,884,520	$2,777,326

See notes to financial statements.

Accountants' Opinions

RAPID-AMERICAN CORPORATION:

We have examined the consolidated balance sheet of Rapid-American Corporation and subsidiaries (excluding Butler Brothers and subsidiaries) as of December 31, 1959, and the related statements of income and shareholders' equity for the periods (indicated in Note 1 to the accompanying financial statements) of one year or less then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. In our opinion, the financial statements and their notes examined by us present fairly the financial position at December 31, 1959 of Rapid-American Corporation and subsidiaries (excluding Butler Brothers and subsidiaries), and the results of their operations for the indicated periods then ended, in conformity with generally accepted accounting principles applied on a substantially consistent basis.

The accompanying financial statements of Rapid American Corporation and subsidiaries present the consolidation of the above-mentioned financial statements examined by us with those of Butler Brothers and subsidiaries examined by Messrs. Arthur Andersen & Co., whose opinion appears below. The total assets of Butler Brothers and subsidiaries included in such consolidated financial statements approximate 77% of the consolidated total, and their sales and net income for the year ended December 31, 1959 approximate 86% and in excess of 100%, respectively, of the consolidated yearly totals. We have checked the compilation of such accompanying consolidated financial statements and notes and, in our opinion, these have been properly compiled.

New York, N. Y.
April 4, 1960

HASKINS & SELLS
Certified Public Accountants

To the Share Owners, Butler Brothers:

We have examined the consolidated balance sheet of Butler Brothers (an Illinois corporation) and subsidiaries as of December 31, 1959, and the related statements of income and surplus for the year then ended, none of which financial statements is set forth separately herein. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated balance sheet and statements of income and surplus of Butler Brothers and subsidiaries present fairly the financial position of such companies as of December 31, 1959, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois
February 8, 1960.

ARTHUR ANDERSEN & CO.

Notes to Financial Statements

1. PRINCIPLES OF CONSOLIDATION AND SUBSEQUENT TRANSACTIONS:

Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its operating subsidiaries and Butler Brothers and its operating subsidiaries. The accounts of subsidiaries and divisions acquired during 1959 have been included for the periods indicated below:

(a) By acquisition of net assets—operated as divisions or parts of divisions:

Cardinal Mills, Inc. as of January 1, 1959.

Eastern Tablet Company Division of Rexall Drug Company as of February 12, 1959.

Osborn-Midwest Paper Company Division of Allied-Albany Paper Corporation as of April 1, 1959.

Smith-Stewart Paper Products Inc. as of May 1, 1959.

(b) By acquisition of all of the outstanding capital stock:

The Brunhoff Manufacturing Company as of July 1, 1959.
Second Washington Realty Corp. as of September 1, 1959.

The Clarolyte Co., Inc. and Nursery Needs, Inc. as of October 1, 1959. (These two companies were dissolved and merged into L. & C. Mayers Co., Incorporated, a subsidiary, as of December 31, 1959).

The statement of consolidated income includes the operations of the foregoing subsidiaries and divisions commencing with the dates of their acquisitions. Such operations are summarized as follows:

Net sales	$10,112,185
Net income	753,840
Special item	281,541
Net income and special item applicable to shareholders of Rapid-American Corporation	1,035,381

Intercompany accounts and transactions have been eliminated.

Inventories of Smith-Stewart Paper Products Inc., The Clarolyte Co., Inc., and Nursery Needs, Inc. at acquisition dates, which were used in determining cost of goods sold, are book figures computed from sales data and other statistical material compiled by those companies.

Subsequent transactions:

On February 11, 1960, all of the assets of Butler Brothers were sold for the sum of $48,906,292, subject to certain post closing adjustments, and the assumption by the buyer (City Products Corporation) of all of the liabilities of Butler Brothers known or unknown. In settlement of the purchase price, Butler Brothers received $34,906,292 in cash and $14,000,000 in 6% subordinated notes of City Products Corporation due from 1961 to 1965. These notes are subordinated in right of payment to presently outstanding long-term debt of City Products Corporation of $40,000,000 and to such bank loans as City Products Corporation may have outstanding.

Butler Brothers retained from its assets and liabilities cash of $1,107,000 and the liability to this extent for estimated Federal and state income taxes of Butler Brothers for the calendar year 1959 and for the period from January 1, 1960, up to and including February 10, 1960.

The excess of the sales price over the consolidated net book value of the assets of Butler Brothers sold was approximately $14,000,000 and it is estimated that the maximum Federal and state income tax liability arising out of the sale will not exceed $4,000,000; however, it is the opinion of Hanigsberg & Delson, independent tax advisors for Butler Brothers, based on the fact that one of the assets sold was goodwill (the tax basis of which may be the value of such goodwill on March 1, 1913, under Section 1053 of the United States Internal Revenue Code of 1954) that a substantial part, or all, of such excess will not constitute gain subject to income tax, and therefore no provision for income tax on the sale has been made.

Shareholders of Butler Brothers who did not vote in favor of the proposal to sell all corporate assets had the right to make demand prior to February 15, 1960, for payment of the fair value of their shares in accordance with Section 73 of the Illinois Business Corporation Act. As of February 15, 1960, Butler Brothers had received such demands with respect to approximately 35,550 shares of its outstanding common stock. On February 11, 1960, the closing price on the New York Stock Exchange for said common stock was $37⅝ per share and the aggregate market value for 35,550 shares of said stock computed at such price, amounted to $1,337,569.

In connection with the sale of its assets Butler Brothers changed its name to B. T. L. Corporation.

On March 2, 1960, B. T. L. Corporation purchased from H. L. Green Co., Inc., 363,195 shares of the common stock of United Stores Corporation (72% of outstanding shares thereof) and 261,145 shares of the second preferred stock of United Stores Corporation (23% of outstanding shares thereof), for a cash consideration of $11.21 per share, or an aggregate of about $7,000,000. On said date, the per share closing market price for said common stock on the American Stock Exchange was $7¾, and for said second preferred stock on the New York Stock Exchange was $11¾. United Stores Corporation operates a small chain of variety stores, and owns about 39% of the outstanding common stock of McCrory-McLellan Stores Corporation, which operates 446 stores located in 36 states.

As of April 4, 1960, B. T. L. Corporation had purchased additional shares of United Stores Corporation, and owned 386,295 shares of its common stock and 327,845 shares of its second preferred stock.

As of April 4, 1960, B. T. L. Corporation, at an approximate aggregate cost of $3,620,000 had purchased 118,400 shares of the common stock of H. L. Green Co., Inc., which operates a chain of 365 variety stores in the United States and 85 in Canada.

2. SALE OF PROPERTY:

In April 1959 the Company sold the property and plant of a division under a sale and leaseback agreement at a profit (before Federal income tax) of $281,541.

3. 7% SINKING FUND SUBORDINATED DEBENTURES:

The Company is obligated to make annual sinking fund payments (or to deposit principal amounts of reacquired debentures) on each November 15 sufficient to redeem the following percentages of debenture principal outstanding on the preceding October 31: 1959—8%; 1960 through 1966—10%. The sinking fund payment due November 15, 1959 was satisfied by the retirement of $440,000 of debentures purchased. The sinking fund payment due November 15, 1960 is to be satisfied by the use of such debentures which are held in treasury at December 31, 1959.

4. 5¾% CONVERTIBLE SUBORDINATED DEBENTURES:

In May, 1959 the Company authorized $15,000,000 principal amount of these debentures and in June, 1959 the sale of its entire offering in the principal amount of $7,209,600 was completed. The issued debentures are convertible into common stock of the Company at any time after February 29, 1960 at rates ranging from $26.50 to $28.50 principal amount of debenture for each share of common stock, and are callable upon notice at a premium of 1¼%. A portion of the proceeds of the foregoing sale was used to purchase at par plus accrued interest to the date of payment, and retire, the 5¾% debentures due May 31, 1961 in the principal amount of $3,600,000 which were outstanding at December 31, 1958.

5. 3¼%-6% NOTES DUE 1961 to 1974:

$5,010,000 of these notes are secured by the pledge of 350,900 shares of B. T. L. Corporation common stock which are owned by the Company. Additional shares pledged are as set forth in Note 7 herein. The Company's investment (eliminated in consolidation) in common stock at December 31, 1959 aggregated 541,916 shares of B. T. L. Corporation (a little over 50% of the outstanding common stock of B. T. L. Corporation) at a cost of $16,871,657 and with a market quotation value of $19,644,500 at December 31, 1959 and $22,489,500 at April 4, 1960.

$1,476,240 of these notes were issued or assumed in connection with the acquisition of subsidiaries. Of such amount approximately $500,000 is held by persons who are still employed by the Company and a subsidiary.

$10,953,335 of these notes were obligations of B. T. L. Corporation and were assumed by the buyer in connection with the sale set forth in Note 1 herein.

6. COMMON STOCK:

Rapid-American Corporation:

The Company's shareholders at their annual meetings held in May, 1958 and May, 1959 ratified Restricted Stock Option Plans under which 125,000 shares of the Company's common stock, including such stock in treasury, are subject to option at prices of not less than 95% of the market value at date of grant; and Employees Stock Purchase Plans under which 45,000 shares of the Company's common stock are subject to offer at prices of not less than 85% of the market value at date of grant. Said options have been adjusted as to price and number of shares to give effect to the 5% stock dividend declared in March, 1959 and will be subject to further adjustments to give effect to the proposed 3 for 2 stock split subject to shareholders approval of an increase in authorized common stock to 10,000,000 shares at the meeting to be held in May, 1960. 23,079 shares of the Company's common stock have been issued under the foregoing plans through December 31, 1959. Options covering 74,645 shares are outstanding at April 4, 1960, expiration dates are from 1962 to 1966, and option prices per share are from $9.21 to $41.56. The aggregate of the prices for these outstanding options is $1,448,800 and their approximate market quotation value on April 4, 1960 was $3,023,100.

B. T. L. Corporation:

Under B.T.L. Corporation's restricted stock option plans certain officers and employees of such company, at December 31, 1959, held options to purchase 44,136 shares of B. T. L. Corporation common stock. Each of the options is for a period of five years terminating thirty days after the fifth anniversary date, with option prices not less than 95% of the market value at date of grant. Under B. T. L. Corporation's employe stock purchase plan certain employees of such company, at December 31, 1959, held options to purchase 38,925 shares of B. T. L. Corporation common stock at 85% of the fair value at promulgation date. The aggregate of the prices for these outstanding options is $2,002,344

and their approximate market quotation value at December 31, 1959 was $3,010,961.

In connection with the sale of the assets of B. T. L. Corporation set forth in Note 1 herein, the outstanding options set forth above have been modified so that the optionees have the right to accept a new option from the buyer, pay the unpaid balance for the shares subscribed and receive shares of B. T. L. Corporation common stock, terminate the option and receive a refund, or terminate the option and receive shares of B. T. L. Corporation common stock in multiples of five shares.

A new restricted stock option plan was adopted by the Board of Directors on February 11, 1960 which authorizes, subject to shareholder approval, options for 100,000 shares of B. T. L. Corporation common stock. Pursuant to this plan, options for 51,000 shares were granted on February 11, 1960 to two officers and directors at $35.74, which was 95% of the closing market on February 11, 1960; and an option for 10,000 shares was granted on March 1, 1960 to an employee and director at $42.40, which was 95% of the closing market on March 1, 1960.

7. OTHER MATTERS:

(a) There are several claims pending against the Company and its operating subsidiaries together with other contingencies. Such liability cannot be determined but management and counsel are of the opinion that the liabilities in the financial statements are adequate to cover all eventual payments.

(b) The Company and its subsidiaries are obligated directly or contingently under leases expiring after December 31, 1959 as follows:

	Leases Expiring	Number	Minimum Annual Rentals	Total Rental Obligations
Company and subsidiaries (except B.T.L. Corporation)...	1960-1965	21	$ 700,000	$ 1,987,000
B.T.L. Corporation and subsidiaries..........	1960-1996	721	6,676,229	68,629,111
Total........................		742	$7,376,229	$70,616,111

(c) The Indentures covering the two Debenture issues of the Company (see Notes 3 and 4 herein) contain covenants which might affect the declaration or payment of dividends, or other distributions or purchases of the Company's stock. Under the most stringent of such covenants, at December 31, 1959 approximately $4,470,000 could be used for such purposes under the Indentures.

(d) The Company on February 26, 1960 borrowed $2,000,000 which is secured by the pledge of 80,000 shares of B. T. L. Corporation common stock which are owned by the Company. The $2,000,000, which was used to repay currently maturing indebtedness is payable: $150,000 in 1960; $450,000 in 1961; $1,100,000 in 1962; and $300,000 in 1963.

Five Year Su

RAPID-AMERICAN CORPORATION
AND SUBSIDIARIES

NET SALES
NET INCOME (4)
NET INCOME PER SHARE (shares outstanding at end of year) (5)
DIVIDENDS PER SHARE (5) CASH
STOCK
SHAREHOLDERS' EQUITY (7)
BOOK VALUE PER SHARE (5) (7)
SHARES OF COMMON STOCK OUTSTANDING (5)
CURRENT ASSETS
CURRENT LIABILITIES
WORKING CAPITAL
INVESTMENTS
PLANT AND EQUIPMENT—Net (6)
LONG-TERM DEBT
MINORITY INTEREST

(5)

NOTES:
(1) Includes Butler Brothers.
(2) Includes Butler Brothers from November 1958.
(3) Includes American Colortype Company from May 1956.
(4) Includes special credits net of income tax, of $665,283 in 1956 (after minority interest); $106,206 in 1957; $301,169 in 1958; $281,541 in 1959; and tax refunds of $574,160 in 1958, and $342,989 in 1959.

(6)

(7)

Summary of Financial and Operating Data

1959 (1)	1958 (2)	1957	1956 (3)	1955
$225,688,405	$52,037,057	$18,156,412	$16,330,108	$4,846,025
$ 859,478	$ 1,037,879	$ 331,902	$ 1,070,400	$ 438,593
$ 1.16	$ 1.45	$ .49	$ 1.69	$ .79
$ .50 5%	$ .47 —	$ .46 5%	$ .62 —	$ .34 —
$ 9,402,473	$ 8,692,757	$ 7,608,731	$ 5,945,549	$3,102,204
$12.70	$12.11	$11.26	$ 9.37	$ 5.60
740,627	717,762	675,660	634,235	553,683
$ 70,310,718	$55,097,241	$ 6,205,653	$10,642,719	$2,739,138
$ 32,021,279	$22,109,570	$ 2,491,555	$ 4,936,884	$ 727,632
$ 38,289,439	$32,987,671	$ 3,714,098	$ 5,705,835	$2,011,506
—	—	$ 3,673,031	$ 269,730	—
$ 18,584,770	$15,061,551	$ 5,844,485	$ 5,296,347	$1,033,675
$ 30,236,334	$22,827,026	$ 5,881,290	$ 1,045,000	—
$ 18,526,703	$17,236,020	—	$ 5,819,525	—

(5) Applicable to shareholders of Rapid-American Corporation only. Based upon shares outstanding at the end of each period, after applying retroactively the two-for-one splits of the common stock in January 1956 and 1957 and 5% stock dividends in May 1957 and March 1959.

(6) Inclusive of net excess of cost of investment in subsidiaries over underlying book value of assets at dates of acquisitions, less amortization, equal to $5,628,166 in 1958 and $5,819,007 in 1959.

(7) Based upon the sale of Butler Brothers' assets consummated February 11, 1960, pro-forma shareholders' equity is approximately $16,100,000, or $21.75 per share.

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TO THE SHAREHOLDERS OF GLEN ALDEN CORPORATION.

Your Company earned $7,401,275 on sales and operating revenue of $110,229,730, equal to $1.32 per share for the year ending December 31, 1959. Net income before special items amounted to $3,623,583, equal to $.65 per share. Income from special items amounted to $3,777,692, of which $3,635,075 resulted from the sale of real estate properties. These results include the earnings of LIST Industries Corporation from January 1, 1959 to April 21, 1959 at which time the companies were merged. The foregoing figures are after depreciation, depletion and amortization which amounted to $4,232,453.

No provision for federal income taxes was made because of loss carry-overs from prior years. At the end of the year the stockholders' equity amounted to $69,075,314; net current assets amounted to $33,455,920; investment assets amounted to $16,171,082 and long term debt amounted to $24,945,191.

The figures bear no comparison with sales and earnings of prior years because the merger on April 21, 1959 created a totally new situation.

The past year was a period of consolidation. The management concentrated much of its attention on the problems of integrating the member companies of LIST Industries Corporation into Glen Alden Corporation. The integration has been accomplished through many separate steps. The accounting procedures of some of the divisions, for example, have been revised so that financial reporting to the parent company would be uniform. Purchasing and other divisional staff functions have been coordinated where reduction in cost and improved efficiency would result. The pension plans of the divisions have been consolidated, to provide better administration, as well as to make it easier for personnel to transfer from one division to another when the occasion warrants.

In order to achieve as rapidly as possible the full opportunities created by the merger, the management group of the parent company has been expanded and strengthened in the field of marketing and sales, and a number of new operating executives were added at the divisional level.

During the year we expanded research and development to obtain new uses for our existing products, as well as to create profit-generating new products. RKO Theatres, Inc., for example, has been studying a number of new motion picture projection techniques; Glen Alden Coal is vigorously investigating promising new industrial and chemical uses of anthracite; Aluminum Industries has developed technological improvements in a number of products; E. Hubschman & Sons has introduced new colors and surfaces to maintain its preeminence in the high fashion leather field; chemists at USF-Aspinook Finishing Division have devised several new finishes of significance to the textile trade.

A hard-hitting and effective cost reduction program was instituted in all divisions. The impact of this will not be fully apparent until the end of 1960. In many instances new equipment was ordered to increase capacity and lower costs. Several of the divisions have had new plant layouts installed to reduce materials handling costs and increase production efficiency. Automated production was instituted where volume justified the expenditure. Efforts have been made to have all divisions utilize facilities existing anywhere in the company. The accounting work of RKO Theatres, for example, was moved to Ashley, Pa., where the work could be performed more economically.

Our outlook for the corporation for 1960 is most hopeful. The diversity of our various activities offers both security and opportunity. In almost all of the industries in which we operate, our divisions are among the leaders in their respective fields.

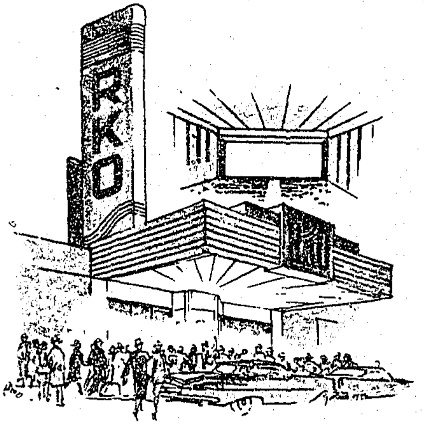
On behalf of the management of your Company, I wish to express my gratitude to our employees, customers and stockholders for their loyalty during the year. With their continued support, we look forward to enlarging upon the gains made during the past year.

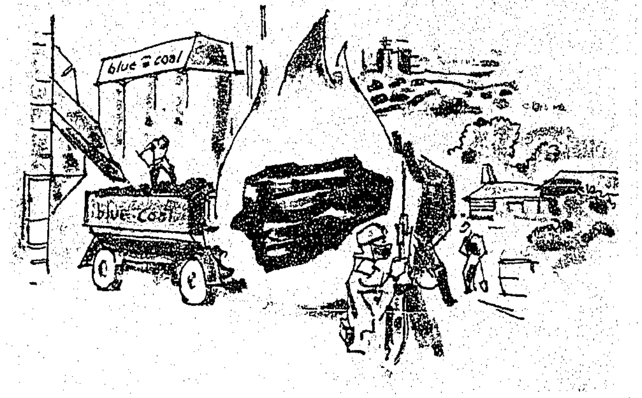
Cordially,

Albert A. List

Chairman of the Board and President

March 7, 1960





RKO THEATRES, INC., in 1959 showed an improvement over 1958. This was principally the result of a number of excellent box office attractions such as: "Imitation of Life," "Pillow Talk," "Shaggy Dog," "Auntie Mame," "I Want to Live," "The Nun's Story," "Seventh Voyage of Sinbad," "Inn of the Sixth Happiness," "Hercules," and "South Pacific."

One of our problems is that Hollywood has been making fewer pictures. RKO Theatres is a leader in discussions to convince the producers that they should embark on an expanded program. The increase in the number and quality of releases will undoubtedly stimulate a further rise in theatre attendance. There is strong evidence to support our opinion that a large audience is waiting for the pictures of its choice.

Millions of dollars are now being invested in important stage and literary properties and are included in the outstanding quality pictures coming to motion picture theatre screens this year. Among the pictures which we will present are Walt Disney's "Pollyanna"; James Stewart in "Mountain Road"; Kirk Douglas and Kim Novak in "Strangers When We Met"; Marilyn Monroe in "Let's Make Love"; Mervyn LeRoy's "Wake Me When It's Over"; Bing Crosby in "High Time"; "Return to Peyton Place"; Marlon Brando in "One-Eyed Jacks"; William Holden in "The World of Suzie Wong"; Burt Lancaster and Audrey Hepburn in "The Unforgiven"; "Inherit the Wind" with Spencer Tracy and Fredric March; Lana Turner in "Portrait in Black"; Doris Day in "Midnight Lace"; Rock Hudson and Kirk Douglas in "Day of the Gun"; Edna Ferber's "The Ice Palace"; and Frank Sinatra in "Oceans 11."

Our New York Palace Theatre is enjoying a successful engagement with the stage appearance of Harry Belafonte.

At the close of 1959, RKO Theatres, Inc., and its subsidiaries had an interest in 77 theatres, of which 72 were operated by RKO, three were leased, and two were closed.

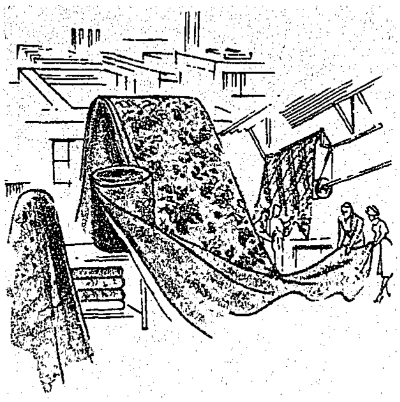
THE GLEN ALDEN COAL division, with headquarters in Ashley, Pa., conducted a sustained drive during the past year to produce greater efficiency in the mining and the sale of anthracite coal. This division is the nation's largest producer of anthracite.

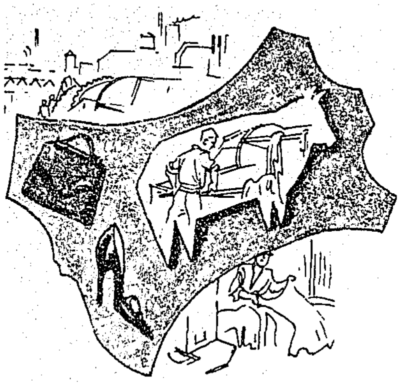
A reduction in the cost of mining coal was realized by such means as increased mechanization, more effective supervision of employees, reduced equipment down-time, and modifying coal preparation practices to suit existing market demands.

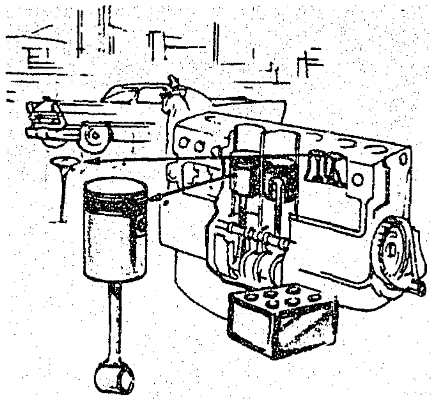
The division's sales arm, Blue Coal Corporation, conducted an effective program to strengthen dealerships. Financial and marketing analyses were used to help dealers identify their most profitable markets. Aggressive steps were taken to pursue accounts in new fields.

THE USF-ASPINOOK FINISHING division has long been recognized as one of the largest and most capable textile finishing companies in the country. It operates a plant in Adams, Massachusetts, which finishes and prints fabric for high quality draperies and slip covers, as well as other textile products; and a plant in Hartsville, South Carolina, which finishes primarily dress goods, light draperies, slip cover materials, tickings and printed shirtings.

During the past year substantial progress was made in increasing productivity in both plants. Efficient new equipment was installed; materials handling and inventory procedures were improved; and work standards in certain operations were revised.







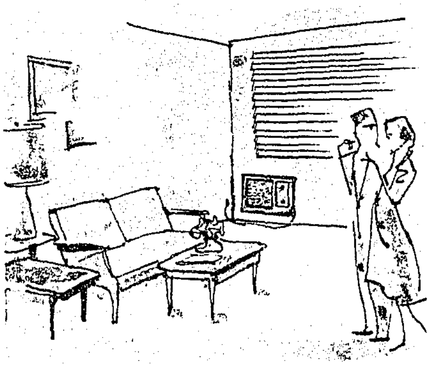
E. HUBSCHMAN & SONS division, of Philadelphia, is one of the nation's foremost tanners of fine quality calfskin for women's shoes and handbags. The high price of rawstock during the year tended to depress somewhat the demand for finished skins. Hubschman met this challenge aggressively by developing a number of new colors, lustres, and grains. In addition several new machines were designed by company engineers to reduce production costs.

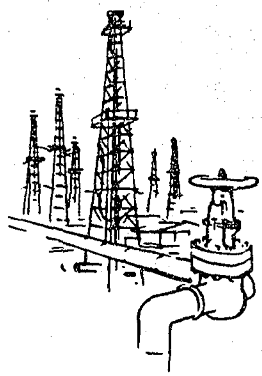
ALUMINUM INDUSTRIES, INC., in Cincinnati, Ohio, manufactures aluminum pistons, steel valves and other products for automobiles, trucks and off-the-road equipment; as well as aluminum castings for air conditioners, missiles and other consumer and industrial products. The company's Triplex of America Division, in Pueblo, Colorado, produces aluminum pistons which are sold under the Triplex label. Aluminum Industries markets a line of automotive products under the trade name "Permite."

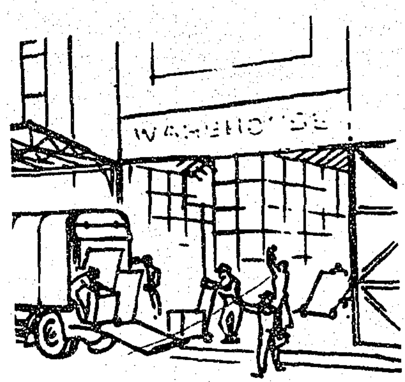
A plant improvement program was instituted in Cincinnati during the past year which will provide, among other things, a completely automated engine valve production line, one of the few in the industry.

Because the company's quality control and casting production facilities are among the best in the aluminum field, management has intensified its promotion of these facilities to potential customers. It is hoped that additional business will result.

THE MATHES COMPANY division, manufacturer of home and industrial air conditioners and heat pumps, has consolidated its manufacturing and administrative activities in Marble Falls, Texas. This move is expected to reduce costs and improve the division's competitive position. A heat pump is a variation of the usual air-conditioning equipment in that it can reverse the refrigeration process and deliver either warm air or cool air.







THE KANSAS NATURAL GAS AND OIL division continued drilling in 1959 on land in which your Company has oil and gas interests. Fifty-three wells are now producing oil, 22 of which were completed since the end of 1958. There have been a total of 3 dry holes and one temporary abandonment since the beginning of the oil drilling program. Presently three wells are being drilled and one additional start has been authorized. It is expected that this program will continue during 1960.

In addition to these operations, there are 56 wells on the property producing natural gas. The Company's share in these activities is in most cases one-eighth. Markets for the oil and daily oil production allowables improved considerably towards the end of 1959.

OTIS RAILWAY WAREHOUSES division operates two large warehouse properties in Cleveland, Ohio. The management of Otis is conducting a concerted program to increase sales and reduce costs.

GLEN ALDEN CORPORATION A

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS			
Cash			$ 7,765,203
Securities of the United States Government and its agencies, at cost (approximate market)			10,856,954
Trade notes and accounts receivable:			
Notes		$ 2,998,207	
Accounts		9,428,719	
		12,426,926	
Less allowances		938,322	11,488,604
Mortgages and other notes and accounts receivable, current portion			1,638,467
Inventories—at the lower of cost (first-in, first-out or average method) or market:			
Finished goods		8,328,812	
Work in process		2,511,209	
Materials and supplies		5,459,534	16,299,555
Prepaid expenses			1,121,497
Total Current Assets			49,170,280
OTHER ASSETS			
Mortgage notes receivable, portion due after one year		12,288,874	
Note and mortgage receivable, portion due after one year—less unearned discount		1,647,606	
Other notes and accounts receivable		1,332,975	
Sundry investments, accounts and deposits		901,627	16,171,082
COST IN EXCESS OF EQUITY IN NET ASSETS OF SUBSIDIARIES AT DATES OF ACQUISITION—less amortization—Note B			3,729,793
PROPERTY, PLANTS, EQUIPMENT AND LEASEHOLDS—Note C		174,833,199	
Less: Allowances for depletion, depreciation and amortization	$104,890,737		
Reserve for decline in value of coal and surface lands	20,732,325	125,623,062	49,210,137
DEFERRED CHARGES			
Unamortized debt discount and expense		551,528	
Sundry		272,196	823,724
			$119,105,016

See notes to financial statements

AND SUBSIDIARIES

DECEMBER 31, 1959

LIABILITIES

Current Liabilities		
Trade accounts payable		$ 4,564,615
Dividend payable January 14, 1960		1,400,760
Accrued expenses and other liabilities:		
Interest	$ 191,533	
Pay rolls, pay roll taxes, amounts withheld from pay rolls, and pension costs	2,169,625	
State, local and other taxes	1,633,132	
Other	1,701,445	5,695,735
Portion of long-term debt due within one year		1,394,250
Compensation claims, current portion		225,000
Deferred production payment, current portion		2,434,000
Total Current Liabilities		15,714,360
Long-Term Debt—Note D		
Obligations of parent company	2,781,000	
Notes, debentures and bonds of subsidiaries	14,538,812	
Obligation of a subsidiary under purchase contract	1,750,000	
Subordinated debentures of a subsidiary	5,875,379	24,945,191
Other Liabilities		
Deferred federal income taxes—Note E	803,700	
Compensation claims	701,385	
Deferred production payment—Note F	2,085,645	
Rent deposits and sundry	274,291	3,865,021
Reserves for Taxes and Contingencies—Notes G and H		3,776,353
Minority Stockholders' Interest in Subsidiaries		1,728,777
Stockholders' Equity		
Common Shares—par value $1.00 per share		
Authorized—7,500,000 shares; issued 6,679,702 shares (including 1,076,663 shares held in treasury and by a subsidiary)—Note I	6,679,702	
Capital surplus (see statement)	67,363,404	
Earned surplus—since January 1, 1959 (see statement)	6,000,515	
	80,043,621	
Less cost of 521,947 Common Shares held in treasury and 554,716 Common Shares held by a subsidiary	10,968,307	69,075,314
Retirement Plans and Long-Term Leases—Notes J and K		
		$119,105,016

See notes to financial statements

GLEN ALDEN CORPORATION

AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED SURPLUS—NOTE A

Year Ended December 31, 1959

CAPITAL SURPLUS

Balance at beginning of year:		
Glen Alden Corporation	$ 65,223,726	
List Industries Corporation	17,675,170	
	82,898,896	
Less amount transferred to eliminate deficit in earned surplus in accordance with the terms of the Agreement and Plan of Merger	15,017,630	
Adjusted balance at beginning of year		$ 67,881,266
Less:		
Adjustment arising from conversion of 1,844,687 shares of Glen Alden Corporation capital stock before merger into 2,305,858 Glen Alden Corporation Common Shares after merger	461,171	
Excess of cost over aggregate proceeds received for 43,279 shares of treasury stock issued upon exercise of stock options—Note I	56,691	517,862
Balance at end of year		$ 67,363,404

EARNED SURPLUS

Balance at beginning of year:		
Glen Alden Corporation—deficit	($ 29,733,182)	
List Industries Corporation	14,715,552	
	(15,017,630)	
Add amount transferred from capital surplus in accordance with the terms of the Agreement and Plan of Merger	15,017,630	
Adjusted balance at beginning of year		$ —
Add net income for year		7,401,275
		7,401,275
Deduct cash dividend declared—$.25 per share		1,400,760
Balance at end of year		$ 6,000,515

See notes to financial statements

GLEN ALDEN CORPORATION

AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME—NOTE A

Year Ended December 31, 1959

Income:		
Net sales of products		$ 70,298,686
Theatre admissions, net sales of services, rentals and other operating revenues		39,931,044
		110,229,730
Costs and expenses (including depreciation, depletion and amortization of $3,868,552):		
Cost of products sold	$ 62,442,566	
Theatre and building operating expenses and cost of services sold	32,333,818	
Advertising, selling, general and administrative expenses	11,532,266	106,308,650
		3,921,080
Other income:		
Interest and discounts earned	1,345,548	
Dividends	137,009	
Miscellaneous	280,619	1,763,176
		5,684,256
Other deductions:		
Interest	1,100,071	
Amortization of debt discount and expense	135,321	
Amortization of excess of investment in subsidiaries over equity in their net assets at dates of acquisition—Note B	228,580	
Minority stockholders' interest in net income of subsidiaries	116,734	
Miscellaneous	479,967	2,060,673
Net Income Before Special Items		3,623,583
Special items:		
Profit on sale of theatre properties	2,808,330	
Profit on sale of other properties	826,745	
Overprovision in prior years of deferred federal taxes on income	496,300	
Provision for losses on future disposal of properties and closed plant expenses	(353,683)	3,777,692
Net Income—Note G		$ 7,401,275

See notes to financial statements

December 31, 1959

NOTE A—MERGER WITH LIST INDUSTRIES CORPORATION

Pursuant to an Agreement and Plan of Merger, LIST Industries Corporation was merged into the Corporation on April 21, 1959, on the basis that each share of Glen Alden common stock outstanding would be converted into one and one-fourth Glen Alden Common Shares, and each share of LIST Industries common stock outstanding would be converted into one Glen Alden Common Share.

For accounting purposes, the merger has been treated as a pooling of interests, and the statement of consolidated income includes the results of operations of the Corporation and its subsidiaries combined with those of LIST Industries Corporation and its subsidiaries for the period from January 1, 1959 to the date of merger. The statements of consolidated surplus reflect the combination of the surplus accounts of the merged companies as of January 1, 1959, and the elimination of the deficit in the combined earned surplus account as of that date, as provided in effect by the Agreement and Plan of Merger.

NOTE B—COST IN EXCESS OF EQUITY IN NET ASSETS OF SUBSIDIARIES AT DATES OF ACQUISITION

The principal portion of this cost, attributable to the acquisition of one subsidiary, is being amortized at the rate of 5% per year.

The Corporation's equity in the net assets of another subsidiary, according to its books at the date it was acquired in 1958, was approximately $1,045,000 in excess of the amount paid for its capital stock. This excess was credited to the above-captioned account in 1958. Such credit has been completely offset by subsequent charges made to this account in consolidation on account of adjustments (principally with respect to inventories) made to the accounts of the subsidiary and certain costs incurred in connection with the reorganization of its management and operations.

NOTE C—PROPERTY, PLANTS, EQUIPMENT AND LEASEHOLDS

Land, buildings, equipment and leaseholds are stated on the basis of cost in cash or assigned values of securities issued therefor, after certain write-downs with respect to properties of the parent company in 1944 and except for certain properties of the subsidiary RKO Theatres, Inc. and its subsidiaries which are stated on the basis of revaluations in 1928, 1932 and 1937.

During 1958, in recognition of the reduced market for anthracite coal, a reserve was created in the books of account for the decline in value of coal and surface lands, and a depletion rate of 11¢ per gross ton was adopted. The amount of the reserve ($20,732,325) was calculated to reduce the net book value of coal to the tonnage of coal which it was estimated might be sold during the next forty years taken at the new 11¢ per ton depletion rate. There was no attempt to make a general revaluation of the assets of the Corporation nor is any representation made that the reduced net book value of coal and surface lands necessarily reflects the value to be ultimately realized.

Property, plants, equipment and leaseholds and their related allowances for depreciation, depletion and amortization at December 31, 1959, are summarized as follows:

	Assets	Allowances
Coal and surface lands	$ 69,533,977	$ 57,621,053*
Other land (including perpetual leaseholds)	12,789,991	—
Mine buildings and equipment	35,975,664	27,673,894
Other buildings and building equipment	26,179,255	19,694,638
Other machinery, fixtures and equipment	20,064,898	12,172,144
Farms, Company-owned houses and other real estate	844,129	650,253
Leasehold improvements and equipment	7,466,697	7,057,309
Leaseholds	1,901,741	753,771
Construction in progress	76,847	—
	$174,833,199	$125,623,062

*Includes reserve of $20,732,325 for decline in value.

Note D—Long-Term Debt

The long-term debt and required payments thereon are summarized as follows:

Obligations of parent company:		
Payable (without interest) $36,000 semi-annually through July 1, 1970 and $37,500 semi-annually thereafter through July 1, 1974	$ 1,056,000	
5% installment notes, payable $359,400 each May 1, and $539,100 each October 1, to 1962	2,695,500	
	3,751,500	
Less amount classified as current liability	970,500	$ 2,781,000
Notes, debentures and bonds of subsidiaries:		
3% Sinking Fund Debentures of RKO Theatres, Inc.:		
Sinking fund payments of $1,000,000 due each January 26, through 1965, balance due February 1, 1966. The payment required for 1960 was paid prior to December 31, 1959	12,600,000	
Mortgage notes of RKO Theatres, Inc. and its subsidiaries:		
4% Mortgage note due November 1, 1964 payable $15,000 quarterly and 3½% Mortgage note due April 1, 1962 payable $4,813 quarterly	1,204,562	
First Mortgage Bonds of Chatham Warehouses, Inc.:		
5% Registered First Mortgage Bonds, due June 15, 1967. Sinking fund payments are contingent upon earnings of this subsidiary. It is estimated that the sinking fund payment required for 1960 will be approximately $19,500	495,500	
Obligations of Aluminum Industries, Inc.:		
4½% Mortgage note due May 1, 1965, payable $18,750 quarterly	412,500	
	14,712,562	
Less amount classified as current liability	173,750	14,538,812
Subsidiary's obligation under purchase contract:		
Portion of purchase price of capital stock of E. Hubschman & Sons payable by Gera Corporation (without interest) beginning April 30, 1960 and annually thereafter in amounts based on the net earnings of Hubschman for the preceding fiscal year, the balance, if any, to be payable December 31, 1978	2,000,000	
Less amount classified as current liability	250,000	1,750,000
Subordinated debt of Gera Corporation:		
6% Subordinated Sinking Fund Debentures, Due 1970:		
Prior to December 31, 1959, sufficient Debentures had been acquired by Gera to satisfy the 1960 sinking fund requirement. The sinking fund payments due on June 30, 1961 and annually thereafter through June 30, 1969 are to be equal to 10% of the principal amount of Debentures unpaid on October 1, 1960.	6,414,400	
Less Debentures held by parent	1,200,000	
	5,214,400	
6% Subordinated Sinking Fund Debentures Authorized in 1957, Due 1970, Series A:		
Prior to December 31, 1959, sufficient Series A Debentures had been acquired by Gera to satisfy the 1960 sinking fund requirement and $72,500 of future years' requirements. The sinking fund payments due on June 30, 1961 and annually thereafter through June 30, 1969 are to be equal to 10% of the principal amount of Debentures unpaid October 1, 1960.	660,979	5,875,379
		$24,945,191

The indentures and agreements in connection with the long-term debt of subsidiary companies impose certain restrictions on the subsidiaries with respect to guarantees, maintenance of working capital, creation of liens, funded indebtedness, payment of dividends and other distributions on certain securities. None of the consolidated earned surplus at December 31, 1959, was subject to the foregoing restrictions as to payment of dividends.

Note E—Deferred Federal Income Taxes

Certain gains on sales of property, included in income of List Industries Corporation and its subsidiaries in prior years, will be reported for federal income tax purposes in the future. Federal income taxes which may be payable in the future in respect of such gains were provided by charges to income in such prior years.

Note F—Deferred Production Payment

In December, 1958 the Corporation sold a production payment for $7,000,000. Under the terms of the Conveyance of Production Payment the purchaser is to be paid twelve one-hundredths of the gross receipts from the sale of coal mined from substantially all of the Corporation's properties until the purchaser has recovered the $7,000,000, plus an amount computed at the rate of 5¼% per annum on the unliquidated balance, and certain expense allowances. For accounting purposes, the proceeds from the sale of the production payment are being taken into income as the coal is marketed and as the cost of producing and marketing are incurred. The amount of net income which may ultimately be realized by the Corporation from this transaction cannot presently be determined. The deferred proceeds of the sale of the production payment, less related expenses incurred, have been included in the balance sheet as a liability in order to reflect the obligation to incur the necessary costs of mining and marketing the coal covered by the production payment.

The Corporation, except for causes beyond its control, must maintain a certain rate of production or the purchaser may succeed to all rights of the Corporation with respect to the operation of the properties and the marketing of the coal.

Note G—Federal Taxes on Income

A consolidated federal income tax return will be filed showing no federal income taxes due in respect of 1959 income, the taxable income having been offset by loss carry-overs from prior years. On the basis of such return and prior years' federal income tax returns filed by the Corporation and its subsidiaries, there will remain net operating loss carry-overs of the Corporation and its subsidiaries of approximately $7,200,000 (approximately $1,000,000 of which is applicable only against income of one subsidiary and approximately $1,350,000 of which will expire in 1960), which counsel have advised may properly be applied as an offset against otherwise taxable income of 1960 and subsequent years.

The production payment granted by the Corporation in December, 1958 and reflected in its taxable income for 1958 will have the effect of reducing income which would otherwise have been reported by the Corporation for tax purposes in 1960 and 1961 by amounts estimated to aggregate approximately $3,200,000. Also, the Corporation may be entitled to the allowance as a loss of all or a part of a $3,200,000 loss claimed in its 1955 return but disallowed by the Internal Revenue Service. In addition, the Corporation is entitled to statutory percentage depletion which at certain mines has in the past materially exceeded cost depletion at such mines.

Federal income tax returns of the Corporation and its subsidiaries for 1956 and subsequent years, and of List Industries Corporation and its subsidiaries (except Gera Corporation) for 1952 and subsequent years are subject to examination and possible change by the Internal Revenue Service.

Gera Corporation had net operating losses of approximately $3,086,000 to be applied as an offset against earnings otherwise subject to federal income taxes in its returns for 1955 and subsequent years. On account of the losses of a predecessor there were additional net operating losses of approximately $4,340,000 available for such application. All such losses were applied, and in the opinion of counsel properly so, in Gera's returns for 1955, 1956 and 1957 and the consolidated federal income tax returns of List Industries Corporation for 1958 and the taxable period ended April 21, 1959. None of such returns have been examined by the Internal Revenue Service.

The aggregate basis to the Corporation, for federal income tax purposes, of its mine buildings and equipment, coal properties and related surface land (as adjusted on an estimated basis to December 31, 1959) is approximately $41,400,000 for purposes of depreciation and depletion and determining gain, and approximately $25,900,000 for the purpose of determining loss, with respect to properties the net book value of which at December 31, 1959 aggregated approximately $20,500,000. In addition, the Corporation has cost bases for certain securities and intangible assets substantially in excess of the amounts reflected on its books. The tax basis of tangible properties other than the aforementioned coal properties is in the aggregate approximately equal to the net book value.

Note H—Reserves for Taxes and Contingencies

Certain civil suits for damages, injunctive relief or both, were pending against the Corporation or its subsidiaries, in which allegations are made as to violation of anti-trust laws, unlawful trespass, breach of contract and other matters, and the Corporation is co-defendant in certain stockholders' suits. The reserves for taxes and contingencies have been provided for additional prior years' income taxes, if any, cost of anti-trust suits and other contingencies, the amounts of which are not presently determinable. During the year the reserves were charged with approximately $47,000 of costs incurred in connection with anti-trust suits.

Note I—Incentive Stock Option Plans

Under the terms of the Agreement and Plan of Merger, the List Industries Corporation Incentive Stock Option Plan was continued as a Glen Alden Corporation plan, and the Glen Alden Stock Option Plan was modified to reflect the conversion of one share before merger to one and one-quarter shares after merger. The Plans provide for granting options to employees (including officers) to purchase common shares at not less than 95% of the fair market value at the time the option is granted. Options are exercisable ratably over a period of four or five years beginning one year from the date of granting and expire five or seven years after the date of granting or sooner in the event of death or other termination of employment.

The following is a summary of transactions under the Plans during 1959:

	Range of Option Prices per Share*				
	$3.98	$7.13 to $9.08	$10.98 to $14.80	$17.34 to $18.17	Total Shares
Shares as to which:					
Options were outstanding at January 1, 1959*	4,000	84,650	18,247	—	106,897
Options were exercised	4,000	24,750	14,529	—	43,279
Options were granted	—	—	12,500	14,000	26,500
Options expired	—	2,000	937	—	2,937
Options were outstanding at December 31, 1959	—	57,900	15,281	14,000	87,181

*After adjustment of Glen Alden shares and prices for effect of conversion upon merger.

Of the total number of shares initially reserved for options under the Plans there were 78,837 shares available for granting additional options as of December 31, 1959.

Note J—Retirement Plans

The pension and retirement plans maintained by List Industries Corporation and certain of its subsidiaries for the benefit of eligible salaried employees were combined into one Glen Alden Corporation plan as of January 1, 1959. Unfunded past service costs of the combined plan at December 31, 1959 were estimated to be approximately $1,000,000. Annual normal cost is estimated at approximately $350,000. No contribution to the fund was made or provided for in 1959, since earnings of the fund exceeded the current service cost plus interest on the estimated past service cost.

One subsidiary has in effect a pension plan for union represented employees, which provides for annual contributions by that company of the annual normal cost plus 10% of the past service cost. The annual normal cost of this plan was approximately $112,000 for 1959, and the unfunded past service cost was estimated to be approximately $2,000,000 at December 31, 1959.

Note K—Long-Term Leases

There were 35 leases (excluding intercompany leases and those applicable to coal lands) with terms extending beyond the next three years which provided for payment by the companies of aggregate minimum annual rentals, exclusive of real estate taxes and other expenses, of approximately $1,805,000. Eleven leases with an aggregate annual rental of $1,019,000 expire within fifteen to twenty years and six leases, which account for $80,000 of the annual rentals, have terms extending beyond the next twenty years. A mortgage and mortgage note carried in the balance sheet at $1,291,279 at December 31, 1959, were pledged to secure certain lease obligations of a subsidiary.

A portion of the Corporation's coal lands is held under leases which provide for minimum annual royalties of approximately $169,000, which if they exceed royalties earned through current mining, can be accumulated and applied against future mining. On a cumulative basis to December 31, 1959, minimum royalties paid in excess of royalties earned through current mining have amounted to approximately $5,000,000. Most of such leases continue until exhaustion of the coal reserves or, if there is a minimum royalty with a stop clause, until all mineable coal has been paid for.

Note L—Sale of Property After December 31, 1959

On February 15, 1960, the Corporation sold certain land, coal in place, structures and equipment for $900,000, payable $150,000 in cash and $750,000 quarterly over a five year period, with interest at 5% per annum. The selling price was approximately $1,000,000 less than the net amount at which the assets were carried in the balance sheet at December 31, 1959.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of

GLEN ALDEN CORPORATION

We have examined the consolidated balance sheet of Glen Alden Corporation and subsidiaries as of December 31, 1959, and the related statements of consolidated income and consolidated surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the consolidated financial position of Glen Alden Corporation and subsidiaries at December 31, 1959 and the consolidated results of their operations for the year then ended combined with those of LIST Industries Corporation and its subsidiaries for the period from January 1, 1959 to April 21, 1959 (see Note A to financial statements), in conformity with generally accepted accounting principles applied on bases consistent with those of the respective companies for the preceding year.

ERNST & ERNST

New York, New York
February 29, 1960

Glen Alden Corporation

DIVISIONS AND SUBSIDIARIES

Glen Alden Coal Division

Main Office: Ashley, Pa.,
Mines and Preparation Plants: Luzerne County, Pa.

The Mathes Company Division

Main Office: Marble Falls, Texas

Blue Coal Corporation

Sales Offices:

1740 Broadway, New York 19, N. Y.
110 S. Main Street, Ashley, Pa.
11 Wex Avenue, Buffalo 11, N. Y.
1620 W. Fayette Street, Syracuse 4, N. Y.
53rd Street & Baltimore Avenue, Philadelphia 43, Pa.
510 Commonwealth Avenue, Boston 15, Mass.

RKO Theatres Inc.

Theatres From Coast to Coast

NEW YORK

Manhattan
- Alhambra
- Coliseum
- Hamilton
- Jefferson*
- Palace
- Regent
- 23rd St.
- 58th St.
- 81st St.*
- 86th St.

Bronx
- Castle Hill
- Chester
- Fordham
- Franklin
- Marble Hill
- Royal

Brooklyn
- Albee
- Bushwick
- Dyker
- Greenpoint
- Kenmore
- Madison
- Prospect
- Tilyou

Queens
- Alden — JAMAICA
- Columbia — FAR ROCKAWAY
- Strand — FAR ROCKAWAY
- Keith's — FLUSHING
- Keith's — RICHMOND HILL

Mount Vernon
- Proctor's

*Leased to others.

NEW YORK

New Rochelle
- Proctor's

White Plains
- Keith's

Yonkers
- Proctor's

Rochester
- Palace

Syracuse
- Keith's

NEW JERSEY

Newark
- Proctor's

New Brunswick
- Albany
- Rivoli
- State

Highland Park
- Park

Trenton
- Broad
- Brunswick
- Capitol
- Hamilton
- Lincoln
- Palace
- Trent

CALIFORNIA

Los Angeles
- Pantages

San Francisco
- Golden Gate

COLORADO

Denver
- Orpheum

DISTRICT OF COLUMBIA

Washington
- Keith's

ILLINOIS

Champaign
- Orpheum
- Virginia

IOWA

Cedar Rapids
- Iowa

Davenport
- Orpheum

Des Moines
- Orpheum

Marshalltown
- Orpheum

LOUISIANA

New Orleans
- Orpheum

MASSACHUSETTS

Boston
- Keith's Boston*
- Keith's Memorial

Lowell
- Keith's

MICHIGAN

Grand Rapids
- Keith's
- Regent

MINNESOTA

Minneapolis
- Orpheum
- Pan

St. Paul
- Orpheum

MISSOURI

Kansas City
- Missouri

OHIO

Cincinnati
- Albee
- Grand
- Palace
- Paramount

Columbus
- Grand
- Palace

Dayton
- Colonial
- Keith's
- State

RHODE ISLAND

Providence
- Albee

Gera Corporation

USF-Aspinook Finishing Division

Main Office: Adams, Mass.,
Plants: Adams, Mass., Hartsville, S. C.
Sales Office: 261 Fifth Ave., New York 16, N. Y.

Aluminum Industries, Inc.

Main Office and Plant: 3670 Werk Road, Cincinnati, Ohio

Sales Offices:
19158 James Couzens Highway, Detroit, Mich.,
64 E. Jackson Boulevard, Chicago, Ill.,

Triplex Division of Aluminum Industries, Inc.

Main Office and Plant: Pueblo, Colo.,

E. Rubschman Sons Division

Main Office and Plant: 415 North 4th Street, Philadelphia 23, Pa.,

Sales Offices:

261 Fifth Avenue, New York 16, New York
1246 Hampton Avenue, St. Louis, Mo.
210 South Street, Boston 11, Mass.

Otis Terminal and Railway Warehouse, Division

Main Office and Otis Terminal Plant: 1300 West Ninth Street, Cleveland 13, Ohio
Railway Warehouse: Woodland Avenue & East 34th Street, Cleveland, Ohio

DIRECTORS

HARRY W. BRADBURY
FRANK BURNSIDE
RALPH E. CASE
THEODORE R. COLBORN
WILLIAM J. DUROCHER
ALVIN O. HERUD
MILTON HUBSCHMAN
WENTWORTH P. JOHNSON
DUDLEY G. LAYMAN
ALBERT A. LIST
VERA G. LIST
A. H. PARKER, JR.
EDWARD C. RAFTERY
SOL A. SCHWARTZ
THOMAS STOKES

OFFICERS

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Chairman of Board and President

HARRY W. BRADBURY
Vice President

WILLIAM J. DUROCHER
Vice President

BENJAMIN R. EBERSMAN
Vice President

ALVIN O. HERUD
Vice President

MILTON HUBSCHMAN
Vice President

DUDLEY G. LAYMAN
Vice President and Treasurer

SOL A. SCHWARTZ
Vice President

WM. F. WHITMAN
Secretary

FRED E. SQUIRE
Comptroller

GLEN ALDEN CORPORATION

TRANSFER AGENTS

CHEMICAL BANK NEW YORK TRUST COMPANY
30 Broad Street, New York 15, N. Y.

FIDELITY-PHILADELPHIA TRUST COMPANY
135 South Broad Street, Philadelphia 9, Pa.

REGISTRARS

BANKERS TRUST COMPANY
16 Wall Street, New York 15, N. Y.

THE PHILADELPHIA NATIONAL BANK
Broad & Chestnut Streets, Philadelphia 1, Pa.

GENERAL COUNSEL

JONES, DAY, COCKLEY & REAVIS
1759 Union Commerce Bldg., Cleveland 14, Ohio

RKO THEATRES

GLEN ALDEN CORPORATION

'blue coal'

UNITED STATES FINISHING
UST
TEXTILES

ASPINOOK TEXTILES

E. HUBSCHMAN & SONS
Tandate Calf
PHILADELPHIA U.S.A.
LEATHER

ALUMINUM INDUSTRIES Inc

PERMITE

OF AMERICA
ALUMINUM

GERA CORPORATION

AIR CONDITIONING

OIL-GAS HOLDINGS